

September 1998

# THE RESULTS ACT

## Assessment of the Governmentwide Performance Plan for Fiscal Year 1999



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United States  
General Accounting Office  
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Accounting and Information  
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Congressional Requesters

In 1993, the Congress enacted the Government Performance and Results Act, commonly referred to as the "Results Act," to address the growing public demand that government become more effective and less costly. The Results Act is a key part of a broad statutory framework enacted during the 1990s that seeks to improve federal management by shifting decision-making and accountability away from a preoccupation with the activities that government undertakes and toward an emphasis on the results of those activities—that is, for example, from grants awarded or inspections performed to real gains in performance, quality, or responsiveness.

Under the Results Act, executive departments and agencies (hereafter referred to as "agencies") developed multiyear strategic plans and submitted those plans to the Congress and the Office of Management and Budget (OMB) on September 30, 1997.<sup>1</sup> The act also requires the President to include with his annual budget submission a federal government performance plan. The Congress intended that this plan provide a "single cohesive picture of the annual performance goals for the fiscal year."<sup>2</sup> To support this requirement, the act directs the Director of OMB to require agencies to develop annual performance plans, which are provided to the appropriate committees of the Congress after publication of the governmentwide plan. The first annual performance plans cover fiscal year 1999, with the governmentwide plan submitted to the Congress in February 1998. The Results Act also requires agencies to submit annual program performance reports, with the first report covering fiscal year 1999 to be issued by March 31, 2000.

As part of your continuing efforts to ensure that the Results Act achieves its full promise, you asked us to review the fiscal year 1999 agency and governmentwide performance plans. As you know, we have completed our reviews of the individual agencies' annual performance plans and have issued a separate report on our overall assessment of those plans.<sup>3</sup> This

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<sup>1</sup>See Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, January 30, 1998) and Managing for Results: Critical Issues for Improving Federal Agencies' Strategic Plans (GAO/GGD-97-180, September 16, 1997).

<sup>2</sup>Government Performance and Results Act of 1993, Committee on Governmental Affairs, United States Senate, S. Rpt. No. 58, 103d Cong. 1st Sess. p. 27 (1993).

<sup>3</sup>Managing for Results: An Agenda to Improve the Usefulness of Agencies' Annual Performance Plans (GAO/GGD/AIMD-98-228, September 8, 1998).

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report responds to your request that we separately review the federal government performance plan. Specifically, our objectives were to (1) assess whether the plan complies with the act's statutory requirements and congressional intent and (2) assess the plan in the context of our guidance developed for agency performance plans<sup>4</sup> and your expectations set forth in a December 17, 1997, letter to the Director of OMB.

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## Results in Brief

The issuance of the Governmentwide Performance Plan in February 1998 marked the culmination of the first annual performance planning cycle under the Results Act. OMB developed and implemented an approach and framework for this plan that generally addressed the basic requirements of the Results Act. The plan was issued with the President's budget submission and included a broad range of governmentwide management objectives and a mission-based presentation of key performance goals based on agency performance plans. The plan's framework should ultimately allow for a cohesive presentation of governmentwide performance, but the specific contents of this initial plan did not always deliver an integrated, consistent, and results-oriented picture of fiscal year 1999 federal government performance goals.

Many of the issues discussed in this report can be traced to the challenges of preparing the first-ever governmentwide plan for an entity as large and diverse as the federal government. Future plans will need to go beyond the formal requirements of the act if they are to more fully address its basic purposes and meet the evolving needs of congressional and other users. To add value to the government's overall performance planning and management efforts, attention is needed in two critical areas: (1) addressing observed weaknesses of individual agency performance plans that necessarily affect the quality of governmentwide performance planning and (2) emphasizing an integrated, governmentwide perspective throughout the plan. As we have noted in our recent individual agency and overall assessments, much work remains to improve agency performance plans, the "building blocks" of the governmentwide plan.<sup>5</sup> OMB will need to work with federal agencies to strengthen these plans to ensure a solid foundation for the governmentwide plan. At the same time, by more explicitly emphasizing governmentwide perspectives and better integrating the performance implications of all federal strategies

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<sup>4</sup>Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking (GAO/GGD/AIMD-10.1.18, February 1998) and The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans (GAO/GGD-10.1.20, April 1998).

<sup>5</sup>GAO/GGD/AIMD-98-228, September 8, 1998.

(spending, tax expenditures, and regulation) within more consistent and complete mission-based presentations, the governmentwide plan can continue to complement and extend agency performance planning processes and provide valuable new contexts and information for federal decisionmakers.

## Background

In addition to the Results Act, the statutory framework that the Congress put in place during the 1990s to provide greater accountability for results and to help resolve long-standing management problems that have undermined the federal government's effectiveness and efficiency includes the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, and information technology reform legislation, including the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996.<sup>6</sup> When seen together, these laws provide a powerful framework for developing and integrating information about agencies' missions and strategic priorities, the results-oriented performance goals that flow from those priorities, performance data to show the level of achievement of those goals, and the relationship of reliable and audited financial information and information technology investments to the achievement of those goals.

The Results Act was intended to address several broad purposes, including strengthening the confidence of the American people in their government; improving federal program effectiveness, accountability, and service delivery; and enhancing congressional decision-making by providing more objective information on program performance. In addition to establishing strategic and annual performance planning requirements, the Results Act includes a requirement for the first-ever federal government performance plan. Specifically, the act requires that the President shall include in each budget "beginning with fiscal year 1999 a Federal Government performance plan."<sup>7</sup> In the accompanying committee report, the Congress stated its intent that the plan should "be submitted coincident with the principal budget documents, so that Congress will have the plan available when reviewing the agency budget estimates." Given the unique nature of this requirement, the report indicated that the Director of OMB would have broad discretion to determine the "best manner and useful form for submitting" the plan, but that the plan should provide "a single cohesive picture of the annual performance goals for the fiscal year." The

<sup>6</sup>Managing for Results: The Statutory Framework for Performance-Based Management and Accountability (GAO/GGD/AIMD-98-52, January 28, 1998).

<sup>7</sup>31 U.S.C. 1105(a)(29).

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governmentwide performance plan was expected to be based on agencies' performance plans, and the Director was authorized to "summarize or abstract material contained in an agency's annual performance plan, presenting at least the key measures of program performance."<sup>8</sup>

While broad discretion was afforded OMB, the Senate committee report for the act identified two specific items that the federal government performance plan should contain.

- As specified in the committee report, "To obtain a comprehensive picture of the government's performance," the plan was to include a "schedule for periodically assessing the effects of specific tax expenditures in achieving performance goals." Tax expenditures refer to tax code provisions, such as deductions, exclusions, credits, or preferences, which seek to encourage certain types of economic or social activity or provide relief to certain groups of taxpayers. The committee report noted that although tax expenditures are established to achieve specific national objectives, similar to federal spending, their effect "in achieving these goals is rarely studied." The required assessments were expected to consider the interactions between spending programs and related tax expenditures in order to "foster a greater sense of responsibility for tax expenditures with a direct bearing on substantial missions and goals."
- The plan was also to include proposed waivers from nonstatutory administrative requirements. Recognizing the importance of flexibility to a results-oriented management environment, the act authorized agencies to request, and OMB to approve, waivers of certain nonstatutory administrative requirements. Proposed waivers were expected to describe in measurable terms the anticipated effects on performance resulting from greater managerial or organizational flexibility. All proposed waivers were to be included in the governmentwide performance plan in order to ensure that general notice was provided in advance of the effective date of the waiver.

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## Scope and Methodology

To perform this assessment, we obtained and reviewed the Governmentwide Performance Plan issued by OMB on February 2, 1998, as part of the President's Fiscal Year 1999 Budget, and a subsequent revision issued on February 27, 1998. We also included in our review some of the key sources referenced in the plan, for example, interagency and governmentwide planning documents accessed through referenced Internet sites.

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<sup>8</sup>S. Rpt. No. 103-58, p. 27.

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We compared the content and format of the plan to the act and accompanying Senate committee report to determine if the plan met basic statutory requirements and intent. Recognizing the broad discretion afforded the Director of OMB in preparing this plan, we interviewed key OMB officials to determine the approaches and factors that were considered. We also performed the following steps to provide a qualitative basis for assessing whether the plan provided a "single cohesive picture" of government performance.

- To assess overall coverage and inclusiveness, we reviewed the content of each section of the plan, focusing on the manner and form used by OMB to present performance goals. To determine agency coverage, we compared the plan's contents, using automated text searching tools, to an electronic file of agency spending by budget function. We also compared selected objectives and goals from section V of the Budget, which summarized presidential priorities but was not formally included as a component of the plan, to other plan sections to assess the extent of coverage of these initiatives.
- To determine the consistency of the plan with underlying agency plans, we selected performance goals from the management and program performance sections of the plan and compared them to underlying agency plans. To assess the manner in which agency performance plans were reflected in the plan, we compared the performance plans for several agencies<sup>9</sup> to relevant presentations within the plan.

We used our assessment guides<sup>10</sup> to make judgments about the overall quality and usefulness of agency performance plans and incorporated those judgments into this review as appropriate. To identify opportunities to improve the usefulness and value of the governmentwide plan, we considered expectations described in your letter dated December 17, 1997, to the Director of OMB, our assessment guides, and related work we have done concerning Results Act implementation.

We performed our work from February through May 1998, in accordance with generally accepted government auditing standards. We requested written comments on a draft of this report from the Director of the Office of Management and Budget or his designee. The Acting Deputy Director for Management provided us with written comments, which are discussed

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<sup>9</sup>Department of Defense, Department of Education, Social Security Administration, General Services Administration, Department of Commerce, National Park Service, and Drug Enforcement Administration.

<sup>10</sup>GAO/GGD/AIMD-10.1.18, February 1998, and GAO/GGD-10.1.20, April 1998.

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in the "Agency Comments and Our Evaluation" section and are reprinted in appendix II.

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## OMB's Approach to Develop the First Governmentwide Performance Plan

OMB officials told us that they sought to develop the federal government performance plan as an integral component of the annual budget preparation process, an approach consistent with the requirements of the Results Act. OMB developed the plan around a general framework intended to broadly capture the government's fiscal, management, and program performance and used budget function classifications<sup>11</sup> to present a mission-based aggregation of agency performance goals. The process of preparing the plan was decentralized, with involvement by both OMB and agency staff, and was affected by the developmental status of agency performance plans. After issuance of the Fiscal Year 1999 Budget, OMB also published the plan as a separate document.

OMB officials stressed that developing the governmentwide plan was viewed as an essential and integral component of the President's budget and planning process. From OMB's perspective, both the plan and the budget submission are intended to serve as communication tools for a range of possible users. In their opinion, the plan adds value by reflecting a governmentwide perspective on policy choices made throughout the budget formulation process. OMB acknowledged that the plan itself did not serve to change the process through which decisions on government priorities were made but enhanced it by placing a greater emphasis on results. As one official described it, the governmentwide performance plan was a derivative document, reflecting the budget and management decisions made throughout the process of formulating the President's budget submission.

OMB officials told us that development of the federal government performance plan was based on (1) specific requirements of the act, (2) expressed congressional interests, which emphasized the need to include key administration management priorities to address long-standing problems, and (3) recent analyses of changes affecting foreign government central budget offices,<sup>12</sup> which identified the need for an aggregate fiscal

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<sup>11</sup>The budget function classification system is a method to classify budgetary resources and tax expenditures according to the national needs being addressed. National needs are grouped into 17 broad areas to provide a coherent and comprehensive basis for analyzing and understanding the budget, plus three additional categories (net interest, allowances, and undistributed offsetting receipts) to cover all other budgetary transactions.

<sup>12</sup>The Changing Role of the Central Budget Office, Organization for Economic Co-operation and Development (OCDE/GD[97]109), Paris, France, 1997.

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context for governmentwide performance planning. The resulting governmentwide plan includes three main sections, corresponding to the fiscal, management, and program performance of the federal government.

- Section III, "Creating a Bright Economic Future," describes economic and federal fiscal performance and presents the administration's forecasts. This section of the plan was intended to broadly define the fiscal context—specifically, overall economic projections and aggregate estimates of federal revenues and outlays—for the other sections of the plan. OMB officials said that this section was primarily developed by its Economic Policy staff.
- Section IV, "Improving Performance through Better Management," describes the administration's management reform agenda. This section has four components addressing proposals from the National Performance Review<sup>13</sup> to reinvent federal agencies and address service and citizen responsiveness concerns (i.e., the "High Impact Agencies" initiative); interagency and agency-specific priority management objectives; additional management support initiatives; and objectives and initiatives from nine interagency working groups that deal with crosscutting issues and represent a variety of key agency officials, such as chief operating officers, inspectors general, chief financial officers, and chief information officers. According to an OMB official, this section was primarily developed by OMB staff from its Office of Federal Financial Management.
- Section VI, "Investing in the Common Good: Program Performance in Federal Functions," contains key performance goals and measures derived from agency performance plans. To present a more thematic picture that groups together similar programs and allows for different agency performance goals and measures to be related, OMB chose to aggregate agency performance information into 17 chapters corresponding to budget functions—a well-known and long-used budget classification structure that focuses on federal missions, or "areas of national need," rather than organizations. Each of the chapters begins with a 7-year (1997-2003) summary of federal resources supporting the function, differentiated in terms of spending, credit activity (i.e., loans and loan guarantees), and tax expenditures; the tables are generally followed by 4- to 7-page narratives, which begin with brief descriptions of the federal role in the function, in some cases specific governmentwide goals, and selected goals and measures from agency performance plans. OMB officials told us that staff in its resource management offices (RMO), working with their

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<sup>13</sup>The National Performance Review is now called the National Partnership for Reinventing Government.



agency counterparts, were principally responsible for developing their respective chapters.<sup>14</sup>

Finally, in addition to these three principal sections from the President's Budget, OMB also published a stand-alone document, "The Governmentwide Performance Plan." This separately published document included the three sections described above and also relevant supporting material contained elsewhere in the President's budget submission. The supplementary material was added to present a fuller discussion of approaches—in addition to spending—that are used to achieve federal performance goals and includes the following.

- "Regulation: Costs and Benefits," chapter 32 from section VI of the Budget, discusses the important role federal regulation plays in pursuing a variety of federal performance goals. This section also discusses the efforts and progress made in estimating the benefits and costs of regulation. In section VI, some of the budget function presentations included more extensive discussions of the role of regulation in achieving relevant performance goals.
- "Tax Expenditures," chapter 5 in the Analytical Perspectives volume of the Budget, discusses the implications of tax preferences, deductions, credits, and exclusions in various federal policy areas. This chapter also includes a discussion of the need to compare tax expenditure, regulatory, and spending policies for selected budget functions. Summary estimates of the value of tax expenditures by budget function are included in the section VI presentations.

A significant factor affecting preparation of the fiscal year 1999 plan was the developmental status of agency strategic and performance plans. Under the Results Act, annual performance plans are both a culminating step in the agency performance planning process that begins with strategic plans and the building blocks for the governmentwide plan. OMB guidelines called for initial performance plans to be submitted to OMB with the agency budget request in September; for fiscal year 1999, the target date for submissions was September 8, 1997. However, most federal agencies were also completing during this time frame their first strategic plans, which, under the Results Act, were to be sent to the Congress by September 30, 1997, and provide the necessary foundation for subsequent annual

<sup>14</sup>In 1994, OMB announced a reorganization of its structure and staff responsibilities that was intended to better integrate its budget analysis, management review, and policy development roles. Among other changes, this reorganization created RMOs as successors to the budget review groups. See Office of Management and Budget: Changes Resulting From the OMB 2000 Reorganization (GAO/GGD/AIMD-96-50, December 29, 1995).

performance plans. According to OMB officials, the initial agency performance plans went through several iterations, which delayed the selection of goals and measures for inclusion in the governmentwide plan. OMB officials told us that agency performance goals and measures incorporated into the governmentwide plan were expected to be consistent with presidential priorities and fiscal projections, included in the underlying agency performance plans, and subject to two final criteria: relevance to OMB and agency managers and importance to the public.

About 3 weeks after issuing the separately published plan, OMB chose to reissue this document, revising six chapters<sup>15</sup> within section VI to capture late-developing presidential priorities. Those priorities had been generally summarized in 10 broad subject areas<sup>16</sup> within section V of the Budget entitled, "Preparing for the 21st Century," but this section was not designated by OMB as a component of the governmentwide performance plan. Although much of this section appeared to be incorporated in relevant chapters of section VI, some key initiatives were not included. For example, reducing tobacco smoking among young people was not included in the original Health chapter of section VI, although it was regarded as one of the administration's top priorities. Updates of the federal government performance plan are not required under the act, but OMB decided almost immediately to revise and reissue the fiscal year 1999 plan to respond to congressional inquiries about the relationship between the administration's priorities and the governmentwide performance plan.

OMB officials emphasized that they view the governmentwide performance plan as part of a larger planning and budgeting process, reflecting more than causing decisions that are made in those other contexts and forums. However, as annual performance planning improves and reliable performance information becomes more available, OMB expects that governmentwide and agency performance planning will provide valuable information and have a more direct effect on the decision-making process.

<sup>15</sup>International Affairs; Transportation; Education, Training, Employment, and Social Services; Income Security; Health; and Veterans Benefits and Services.

<sup>16</sup>Investing in Education and Training; Supporting Working Families; Strengthening Health Care; Protecting the Environment; Investing in Infrastructure; Promoting Research; Enforcing the Law; Strengthening the American Community; Advancing United States Leadership in the World; and Supporting the World's Strongest Military Force.

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## Governmentwide Performance Plan Generally Addressed the Requirements and Intent of the Results Act

As required by the Results Act, a "single" federal government performance plan was issued on February 2, 1998, as a part of, but separately identified within, the President's Budget. OMB's subsequent decision to publish these portions of the President's Budget as a stand-alone "Governmentwide Performance Plan," although not required by the act, was a useful method to bring attention to this first-ever plan.

Structurally, the plan's framework provides a foundation for addressing the inherent challenges associated with encompassing an entity as large and diverse as the federal government, as well as merging a new and complex governmentwide process into the annual budget process. For example, the decision to begin the plan by defining the overall federal fiscal context was complementary to congressional intent that agency performance planning be consistent with budget requests. OMB's decision to include interagency and agency-specific management objectives, along with key agency performance goals and measures as required by the act, was a practical approach to add essential context and depth to the plan. Similarly, its decision to array agency performance goals and measures by budget function allowed similar programs to be grouped together to begin to present relationships among the goals. Finally, OMB made extensive use of references to other sources and reports, including agency and special purpose Internet sites, to limit the volume of the plan while providing links to supplemental performance information.

As mentioned earlier, the Senate committee report identified two additional expectations for the plan: a comprehensive picture of federal performance supported by tax expenditures and discussions of waivers of nonstatutory administrative requirements. The plan partially addressed the first expectation. To its credit, OMB included program performance information related not only to tax expenditures but also federal regulations, an additional strategy used to accomplish federal purposes. Although the plan did not include a schedule for periodic assessments of tax expenditures, OMB described a series of pilot studies to explore the methods and resource needs associated with evaluating the relationship between tax expenditures and performance goals; the pilot studies will be undertaken by the Department of the Treasury, in recognition of Treasury's role in the oversight and evaluation of tax policy and tax expenditures.

Regarding the second expectation, OMB provided no discussion of the extent and type of waivers of nonstatutory administrative requirements requested by federal agencies. According to an OMB official, OMB received

very few requests, which he described as "limited in scope"; none were approved. Accordingly, no discussion of waivers was presented in the plan. In some regards, this result mirrors experiences associated with the pilot projects on managerial accountability and flexibility under the Results Act; relatively few proposals to be designated as pilot projects were submitted and none were accepted.<sup>17</sup>

## Significant Challenges Remain to Achieve a Useful and Informative Governmentwide Performance Plan

Developing a federal government performance plan rests on two pillars: the soundness of underlying agency performance plans and the quality of the integrating framework that places agency-level performance expectations within a governmentwide perspective. Although some progress has been made, we agree with OMB's overall assessment: "more work remains."<sup>18</sup> For example, our assessments of agency performance plans indicate that substantial improvements are needed to ensure that these building blocks of the governmentwide plan provide the needed foundation. Similarly, focusing broadly on governmentwide outcomes should be a central and distinguishing feature of the federal government performance plan. To be most effective and supportive of the purposes of the act, the governmentwide plan must be more than a compilation of agency-level plans; integration, rather than repetition, must be its guiding principle. Although the overall framework developed by OMB should support a mission-based discussion of governmentwide performance, more needs to be done to build on this foundation to achieve the complete, consistent, and results-oriented presentation that OMB sought and to support comprehensive consideration of common performance expectations across federal agencies and strategies.

## Addressing the Underlying Quality of Agency Performance Plans

To the extent it is based on agency performance plans, the overall quality of the governmentwide plan depends on two underlying assumptions. First, agency performance plans must be of sufficient quality, consistent with the expectations of the Results Act. Simply stated, the governmentwide plan will inevitably reflect the foundation of its building blocks. Second, to enhance and clarify agency accountability for specific goals, the governmentwide plan must accurately reflect selected agency performance goals, and agency performance plans must incorporate any goals included in the governmentwide plan. While meeting these

<sup>17</sup>See GPRA: Managerial Accountability and Flexibility Pilot Did Not Work as Intended (GAO/GGD-97-36, April 10, 1997).

<sup>18</sup>"Governmentwide Performance Plan," extracted from Budget of the United States Government, Fiscal Year 1999, p. 2.

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assumptions was hindered by the obvious timing and coordination challenges associated with this first annual performance planning cycle, that was not the only problem. Our reviews of the agencies' fiscal year 1999 performance plans and of the governmentwide plan indicate areas of concern.

As we noted in our summary report on agency performance plans,<sup>19</sup> agencies' first annual performance plans showed potential for providing decisionmakers with valuable perspective and useful information for improving program performance. However, most of the plans we reviewed contained major weaknesses that undermine their usefulness in that they (1) did not consistently provide clear pictures of agencies' intended performance, (2) generally did not relate strategies and resources to performance, and (3) provided limited confidence that performance data will be sufficiently credible for decision-making. For example, many plans did not contain goals and performance targets for mission-critical management problems, such as steps to address the Year 2000 computing crisis. In addition, most annual plans provided only superficial descriptions of the procedures the agencies would use to verify and validate performance data; specific verification and validation systems, related efforts, and milestones for verification and validation generally were not cited. These weaknesses in agency performance plans were reflected, to varying degrees, in the governmentwide plan.

Because developing a complete and convincing picture of intended agency performance is an important step in preparing a useful governmentwide performance plan, ensuring the sustained high quality of the agency plans is fundamental to the governmentwide performance planning process. Given its key role with respect to the governmentwide plan, OMB has recognized its responsibility for addressing these problems. The fiscal year 1999 plan appropriately identifies implementation of the Results Act as one of the governmentwide priority management objectives. OMB includes specific performance commitments to prepare "lessons learned" from its review of the fiscal year 1999 plans and to revise guidance for and review the fiscal year 2000 plans "to assure improvements and appropriate changes are made."

Beyond this more fundamental question, consistency between the agency and governmentwide plans also needs to be addressed. Consistent presentations enhance agency accountability by decreasing the potential for confusion about the specific results to be achieved. Agency

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<sup>19</sup>GAO/GGD/AIMD-98-228, September 8, 1998.

performance goals included in the plan generally could be traced to relevant agency plans. However, we did note inconsistencies that will need to be addressed in future plans. For example, under the High Impact Agencies initiative, the Department of Education performance plan defined a time frame for its performance commitment regarding eligibility determinations for student aid applications (i.e., October 2001) that was different from that shown in the governmentwide plan (i.e., October 2000), while a National Park Service performance commitment shown in the governmentwide plan could not be found in the Department of the Interior performance plan. As another example, the plan includes as a performance commitment that the International Trade Administration will review 15 more applications for free trade zones in 1999 than in 1998, supporting a gross increase of 25,000 jobs. However, the Department of Commerce plan does not describe this goal as either a "Secretarial Initiative" or as a "key goal or objective" and sets the expected result at 20,000 jobs.

### The Plan Did Not Always Provide a Clear and Complete Picture of Governmentwide Performance

Although the basic framework of this first plan generally allowed for a cohesive presentation of governmentwide performance, the content of separate sections did not always deliver a complete, consistent, or clear discussion of fiscal year 1999 performance goals. OMB's decision to organize key agency performance goals in a mission-based framework using budget functions was appropriate, as was its decision to consider all of the strategies—tax expenditures and regulations, in addition to spending and credit activities—to achieve federal performance goals. This approach, which facilitates looking across organizations and approaches to better communicate performance contributions, is an integral characteristic of an effective governmentwide performance plan and an essential step in identifying and resolving fragmentation and overlap within federal agencies and strategies. However, these otherwise appropriate and reasonable approaches were hindered by inadequate development and presentation, as discussed in the following sections. Future plans would be enhanced by more consistently presenting and integrating expected agency-level performance and more clearly relating and addressing the contribution of alternative federal strategies to common performance goals. Certainly many of the issues discussed as follows can be traced to the challenge of preparing this first-ever governmentwide plan, but they remain significant matters that should be addressed in future plans.

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## Fiscal Performance

Section III sets the fiscal performance context for the federal government by projecting balanced budgets and defining certain key economic assumptions. Much of this section is oriented toward discussions of past accomplishments, with little elaboration of the external conditions and factors, if any, that could affect future fiscal performance expectations. There is also little discussion in this section of the longer-term fiscal outlook that would provide both a broader context in which to understand the implications of current policy and a valuable additional perspective to be considered when making policy choices. GAO, the Congressional Budget Office, and OMB have modeled the long-term budget and economic outlook, and some discussion summarizing these results would help put governmentwide performance goals in a long-term context.<sup>20</sup> Related discussions of both the sensitivity of budget estimates and long-term fiscal forecasts to economic conditions are contained in the Analytical Perspectives volume of the President's budget submission but are not incorporated or referenced in this section of the plan.

## Management Performance

Identifying and setting goals for mission-critical management problems or other management-related issues that could significantly impede achievement of program goals is an essential element of a governmentwide performance plan. Appropriately, OMB separately presented an array of management objectives and initiatives in section IV of the plan that appear consistent with the basic purposes of the Results Act, addressing, for example, issues dealing with citizen responsiveness, service delivery, and program performance and management. Similarly, OMB's inclusion of the priorities of major interagency councils, such as the President's Management Council and the Chief Financial Officers Council, was a useful way to recognize the critical role such groups play in leveraging and directing agency involvement toward governmentwide management goals. However, a clearer and more focused discussion of the relationship between management objectives and performance expectations would better integrate this section with the program performance presentations and identify actions that need to be reflected in underlying agency performance plans.

The objectives and initiatives included in section IV fall across two different levels: governmentwide issues, including many we have described as fundamental to future federal program performance, such as Year 2000 conversion and Results Act implementation, and program-specific and agency-specific issues, some of which, such as

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<sup>20</sup>See Budget Issues: Long-Term Fiscal Outlook (GAO/T-AIMD/OCE-98-83, February 25, 1998) and Congressional Budget Office, Long-Term Budgetary Pressures and Policy Options, May 1998.

Department of Defense infrastructure and Federal Aviation Administration reforms, we have previously identified as high risk due to their vulnerability to waste, fraud, or mismanagement.<sup>21</sup> For many management performance objectives, the plan includes challenging goals, such as obtaining timely and unqualified audit opinions in 1999 for most agency financial statements, and often identifies these performance goals and commitments separately by references to Internet sites.

To improve the clarity and usefulness of the plan, section IV could provide a more integrated and focused discussion of the strategies associated with the priority management objectives. For example, in several cases, apparent relationships among the components of section IV are not recognized and discussed, leaving the reader without a clear understanding of the significance and extent of interconnections among the many issues discussed. For example, the apparent association among the "debt collection" interagency objective, the debt collection objectives of the Department of the Treasury Financial Management Service, and the debt collection component of the "error reduction" management support initiative is not explicitly developed. Similarly, this section appropriately describes the role played by interagency working groups, such as the Chief Financial Officers Council (CFOC) and Chief Information Officers Council, in identifying and implementing ways to better manage federal resources, but does not offer much discussion of their responsibilities and contributions toward specific section IV objectives. For example, the crucial leveraging role of the CFOC in implementing the Results Act, one of the plan's interagency priority management objectives, is not discussed. Rather than referencing all of the priorities and initiatives of these interagency groups, the plan would be enhanced by selective use and better integration of specific initiatives that are key to achieving governmentwide performance goals.

Moreover, addressing a variety of presentation problems would improve the overall quality and value of section IV. The following are examples where the plan could have provided a more complete and results-based picture of expected performance.

- The discussion of the High Impact Agency initiative is an example of an otherwise effective approach that was compromised by an incomplete presentation. This initiative is intended to improve service and citizen confidence in government by focusing on the performance of federal

<sup>21</sup>Appendix I summarizes the relationship between the plan's priority management objectives and our high-risk federal program areas.



agencies that interact most with individuals and businesses—in effect, it addresses one of the most basic purposes of the Results Act. The plan briefly describes a few of the over 200 performance commitments being made by 32 agencies and then refers the reader to an Internet site for those performance commitments. Given the large number of commitments to be established by so many federal agencies, highlighting a few while referencing an Internet site for each agencies' performance commitments could have been an informative and reasonable approach to incorporate this highly visible and relevant initiative into the plan. However, the effectiveness of such an approach depends on prompt posting of agencies' commitments. Performance commitments for almost two-thirds of the agencies had not yet been posted on the referenced Internet site about 2 weeks after the plan's issuance; in fact, more than 2 months later, about one-third of the agencies were still not included on the site.

- OMB chose to use the plan to meet a critical requirement under the Clinger-Cohen Act, namely a “. . . report on the net program performance benefits achieved as a result of major capital investments . . . and how the benefits relate to the accomplishments of the goals of the executive agencies.” However, the presentation in the plan requires substantial improvement to meet congressional expectations. For example, there is no discussion regarding either the criteria used to select the 35 information technology projects included in the report or the specific governmentwide goals or agency priorities that are supported by the projects. Performance benefit descriptions included in the list often describe what the system will do or provide (e.g., “lowers costs,” “improves accuracy,” or “simplifies and streamlines”) rather than the “net program performance benefits” that will be achieved. Finally, given the size of major technology projects, which often require many years and the completion of many separate components, the report would be most informative if it distinguished between achieved and expected performance and between expended and estimated budgetary needs.

Clearer discussion of the program performance implications of governmentwide management objectives will help achieve a better integration between governmentwide and agency performance plans. As noted in our overall assessment of fiscal year 1999 agency performance plans, most agencies did not consistently incorporate strategies to address mission-critical management problems, including, for example, the Year 2000 computer conversion issue, which is the first interagency management objective included in the governmentwide plan. Improving the discussion of the performance consequences of these priority management objectives is an essential step to assist agencies in developing

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relevant goals and strategies for inclusion in agency plans and to clarify agency accountability for specific results.

## Program Performance

As expected under the Results Act, the majority of the plan is directed toward compiling and summarizing key performance goals and measures from agency performance plans. OMB chose to summarize this information and associated strategies (spending, credit activity, tax expenditures, and regulation) in terms of budget functions "to group similar programs together and begin to present the relationship between their goals."<sup>22</sup> For the most part, section VI provides a foundation to begin to discuss governmentwide performance issues. For example, each chapter generally begins with a brief description of the federal role in the function; many, but not all, chapters begin with broad governmentwide goals for the function; and all include performance goals and measures from agency plans.

To some extent, the plan was constrained by the absence of crucial performance information from underlying agency plans. For example, the Health Care Financing Administration (HCFA) recognized that it needed cooperative arrangements with state and local governments before developing performance baselines and targets for major programs, such as Medicaid. Similarly, the Drug Enforcement Agency emphasized that some performance indicators were in a developmental stage and that historical data upon which to base a credible performance goal were not available. The fiscal year 1999 plan necessarily includes very limited information for these activities, except to generally note, for example, that HCFA "will work with the States to develop and test Medicaid performance goals," or that "Federal and non-Federal entities will work together to reduce the availability and abuse of illegal drugs."<sup>23</sup>

It is also apparent that OMB used its discretion in preparing the governmentwide plan to address some other inadequacies of agency performance plans. OMB compensated for some weaknesses identified during our assessments of agency plans by broadly summarizing agency plans or by incorporating information from sources other than the annual plan, as in the following examples.

- In our assessment of the Department of Defense plan, we noted that it was difficult to determine the department's strategies, objectives, and measures because information critical to understanding performance was

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<sup>22</sup>Budget of the United States Government, Fiscal Year 1999, p. 143.

<sup>23</sup>Budget of the United States Government, Fiscal Year 1999, pp. 214, 243.

contained throughout the Secretary of Defense's fiscal year 1999 annual report to the President and the Congress, which included the annual performance plan, and numerous other documents. The governmentwide plan succinctly summarized key performance goals for each of the department's six strategic objectives, providing a much more coherent and concise discussion of expected fiscal year 1999 performance.

- The Social Security chapter of section VI not only includes a table showing the number of beneficiaries served, an output measure that is included in the agency plan, but also a discussion of the effect of Social Security on reducing poverty among the elderly, an outcome that was not discussed in the fiscal year 1999 agency performance plan.
- The General Services Administration plan often lacked context for its performance measures, which the governmentwide plan addressed by including comparative and baseline information. For example, although the agency plan states that local telephone service monthly line charges for fiscal year 1999 will be held to the same level as in 1997 and 1998, the governmentwide plan describes this as a 28 percent reduction from 1994 rates. Similarly, although the agency plan focuses on the increasing cost per mile of the automobile fleet, the governmentwide plan notes that automobiles will be leased to agencies at rates that average 20 percent below commercial rates.

Although section VI includes numerous agency performance goals that include specific target levels of performance (e.g., "the program will serve 150,000 special needs youth and frail elderly"), some do not (e.g., "step up efforts to disrupt and dismantle illegal activities"), reflecting some of the problems in the underlying agency plans. However, even in cases where specific performance targets are described in the plan, the overall value and usefulness of this performance information could be improved by including baseline and trend data. For example, prior year performance results can provide a framework for assessing the realism of annual performance targets and for disclosing a more complete picture of performance over an extended period. Such data can assist readers by placing performance goals and measures in context<sup>24</sup> and is particularly relevant in that a separate governmentwide performance report is not required under the Results Act.

The section VI program performance presentations also would be enhanced if there was a clearer and more direct discussion of governmentwide goals and objectives in addition to key agency

<sup>24</sup>See The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997) and GPRA Performance Reports (GAO/GGD-96-66R, February 14, 1996).

performance goals. In some cases, the plan does highlight major crosscutting efforts within the function-based chapters. For example, the National Homeownership Initiative, a major administration initiative involving several agencies and both spending and credit programs, is discussed in the Commerce and Housing Credit chapter.<sup>25</sup> Similarly, the Natural Resources and Environment chapter includes an extended discussion of the many agencies involved in federal land management, presented in the context of three governmentwide federal land management goals: protecting human health and safeguarding the natural environment; restoring and maintaining the health of federally managed lands, waters, and renewable resources; and providing recreational opportunities for the public to enjoy natural and cultural resources. However, unlike the management performance discussion in section IV, which directly referenced the priorities and initiatives of a variety of interagency councils, section VI only marginally reflects the crucial crosscutting role in promoting and establishing governmentwide performance goals played by such entities as the Office of National Drug Control Policy, the Trade Promotion Coordinating Committee, and the Office of Science and Technology Policy. Recognizing and incorporating these statutory policy coordinating entities would bring visibility to their efforts and the governmentwide results they are intended to introduce and encourage, while helping to focus agency accountability for results.

In addition, the overall value and usefulness of the program performance discussions in section VI would be enhanced by improving the organizing framework. OMB's decision to use budget function classifications to meet the need for an integrated, mission-based framework was reasonable; classifying by budget functions is a well-known and long-standing method to categorize the purpose of government without regard to organizational arrangements. However, this structure does not in all cases portray mutually exclusive mission-based groupings of federal activities, thus leading to incomplete performance discussions.<sup>26</sup> For example, the discussion of governmentwide performance expectations in the Health chapter in section VI was constrained by a classification structure in which other federal health programs that are targeted to specific beneficiaries (e.g., Medicare and veterans health activities) are assigned to different functions (i.e., chapters). There were cases in which OMB recognized the limitations imposed by budget functions on its discussions

<sup>25</sup>This initiative defines a national goal of 67.5 percent homeownership by 2000, from a current baseline of 66 percent. The plan describes specific activities and performance goals for three agencies that will contribute to this crosscutting initiative.

<sup>26</sup>See *Budget Function Classifications: Origins, Trends, and Implications for Current Uses* (GAO/AIMD-98-67, February 27, 1998).

of fiscal year 1999 performance expectations. For example, the plan includes a footnote in the Natural Resources and Environment chapter to emphasize that the chapter does not include all federal activities associated with these missions. In another example, a major federal activity—assisted housing programs of the Department of Housing and Urban Development—was not discussed in the chapter in which it is typically associated in budget function presentations (i.e., the Income Security function), but was included in the Commerce and Housing Credit chapter, presumably to better relate it to other housing programs.

Moreover, descriptions of program performance in several chapters were presented in a sequential, agency-by-agency format that missed opportunities to address well-known areas of fragmentation and overlap. Organization-based presentations are appropriate to emphasize agency accountability but tend to “stovepipe” performance discussions and inadequately describe crosscutting governmentwide performance goals and both common and complementary performance measures. For example, the General Science, Space, and Technology chapter sequentially discusses performance goals for three agencies (National Aeronautics and Space Administration, the Department of Energy, and the National Science Foundation) but does not address the apparent overlap stemming from over 500 research laboratories operated by 17 federal agencies. Similarly, the Community and Regional Development chapter organizes performance discussions in terms of eight involved agencies, but does not address the inefficiency, confusion, and potential duplication arising from a patchwork of about 100 rural development programs operated by over a dozen federal agencies.<sup>27</sup> This weakness in the governmentwide performance plan mirrors comparable problems in the agency performance plans, which also did not sufficiently describe crosscutting programs and needed coordinating efforts. Collectively, fiscal year 1999 performance planning could more directly address areas of fragmentation and overlap and thus better ensure that federal resources are well targeted and that accountability is clearly defined.

Similarly, section VI also did not fully integrate discussions of the effects of various federal strategies to achieve governmentwide performance goals. Often, discussions of federal approaches and strategies missed opportunities to describe and compare expected performance goals, the relative contribution of each approach toward governmentwide goals, and the potential for developing common or complementary performance

<sup>27</sup>For a general discussion of these issues, see *Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap* (GAO/AIMD-97-146, August 29, 1997) and *Federal Management* (GAO/OCG-98-1R, January 9, 1998).

measures. The Transportation chapter offers one illustration. A variety of federal approaches—grants, regulations, inspections, and direct federal service provision—are briefly discussed in the context of common performance goals, such as “reduce transportation-related deaths and injuries.” However, there is no discussion of expected performance for these separate strategies and no discussion of the relative contribution of each approach to achieving the governmentwide goal.

For the most part, discussions of tax expenditures within section VI tended to focus on what the tax expenditure is or does (e.g., “Interest from certain U.S. Savings Bonds is tax-free if the bonds go solely to pay for education.”) rather than its contribution toward governmentwide or specific program performance goals. For example, in section VI, the estimated value of tax expenditures associated with each budget function is summarized in the “federal resources” table that begins each chapter, and a general discussion of performance measurement issues presented by tax expenditures is included in a supplementary section of the separately published plan. However, a more extensive and informative listing of specific tax expenditures by function, which is included in chapter 5 of the Analytical Perspectives volume of the Budget, is not referenced, and specific discussions of the contribution of major tax expenditures toward federal performance goals is often lacking. For example, estimated spending and tax expenditures are shown as roughly comparable shares of total federal resources (about \$60 billion) in fiscal year 1999 in the Education, Training, Employment, and Social Services chapter, but the effect on federal performance goals of the new child credit tax expenditure in that year is not discussed. Similarly, the contribution of tax policies toward achieving specific federal health goals, such as distributional equity or access to quality care, is not discussed in the Health chapter, although such tax expenditures are expected to amount to almost \$86 billion in fiscal year 1999, with the exclusion for employer-provided benefits accounting for most of this.<sup>28</sup>

Although not required by the Results Act or congressional intent, OMB included in section VI discussions of federal regulation, an alternative and important policy strategy for the federal government. The nature and general effects of regulation are discussed within the program performance chapters, typically as a separate segments of the chapters, and performance goals and measures are sometimes provided. For example, the Energy chapter includes descriptions of the programs of the

<sup>28</sup>For a broader discussion of this topic, see Tax Policy: Tax Expenditures Deserve More Scrutiny (GAO/GGD/AIMD-94-122, June 3, 1994).

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Federal Energy Regulatory Commission and the Nuclear Regulatory Commission in a results-based framework, discussing the impact of regulation on achieving goals relating to, for example, public health and safety and the maintenance of fair and efficient interstate energy markets. In addition, the separately published Governmentwide Performance Plan included a supplementary section that provided a general discussion of the nature, costs, and benefits of regulation but does not include explicit performance goals; this supplementary section does include some regulatory issues that are not included within the program performance narratives. For example, a group of 41 economically significant regulations studied by OMB are briefly discussed, with a reference to an Internet site for a more complete discussion. Neither the "monetized benefits" discussed in this section, nor the broader implications on program performance goals are explicitly identified and discussed in the program performance sections.

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## Conclusions

The fiscal year 1999 Governmentwide Performance Plan marked the culmination of the first full cycle of performance planning under the Results Act. This first plan represents a milestone and, as OMB suggests, should be seen as the first step in an evolving results-based planning and budgeting process. Although the plan will necessarily reflect administration policies and priorities, the challenge will be to identify and implement those changes that will make the plan more useful and informative to the broader public policy community with respect to the basic purposes of the act: to improve citizen confidence, service delivery, and program performance and management, while enhancing congressional oversight and deliberation.

The Governmentwide Performance Plan can be a powerful tool to pursue these goals. A central and distinguishing contribution of the governmentwide plan is its potential to provide a cohesive perspective on the performance of a wide array of federal activities. Similar to the President's budget submission, it can be a document that builds on agency-level submissions but whose overall value exceeds the sum of its parts. As it evolves, the process of developing the plan could prompt a more integrated and focused discussion between the Congress and the administration about priorities and how agencies interact in implementing those priorities. For example, it might (1) present traditional program-specific and agency-specific budget decisions in a new context that promotes more fundamental comparisons and assessments of expected performance, (2) provide a place where fragmented and

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overlapping federal programs and strategies are pulled together in an integrated proposal that reflects mission-based goals, and (3) enhance the visibility of expected federal performance, thus providing incentives to agencies to achieve performance goals and increasing accountability to citizens.

Several steps would help ensure that the plan achieves its full potential and becomes more useful within both congressional and executive branch decision-making processes. The usefulness of the governmentwide performance plan rests on the quality and comprehensiveness of the methods used to describe and integrate governmentwide goals and outcomes. Our assessment of the fiscal year 1999 plan indicated four key opportunities for improvement.

- First, the quality of the plan's organizing framework is key to achieving a more integrated and broader discussion about governmentwide missions and performance. While the use of budget function classifications offers a reasonable and logical structure to cut across organizational boundaries and federal strategies, this classification system does not always provide mutually exclusive descriptions of governmentwide missions.<sup>29</sup> A more cohesive picture of federal missions would be presented if discussions were broadened beyond the functional lines where necessary to capture the full range of government players and activities and aimed at advancing broad federal goals.
- Second, within this broad mission-based framework, the approach used to present information within a given mission area also contributes to the effectiveness of the plan. Presenting information in an agency-by-agency or strategy-by-strategy manner is useful to indicate the range of actors and approaches within a given mission area, but a more integrated discussion organized in terms of broad federal goals and objectives would better reflect the relative contributions of various agencies and strategies to the mission area and provide opportunities to compare and assess interactions.
- Third, future governmentwide plans would be more informative and useful if baseline and trend information were presented consistently with annual performance goals.
- Fourth, crucial performance concerns included in the governmentwide performance plan—including not only priority management objectives that will broadly affect program performance but also crosscutting program performance goals—should be reflected in relevant agency performance plans. This is an essential step to better integrate governmentwide

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<sup>29</sup>GAO/AIMD-98-67, February 27, 1998.



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performance planning with agency performance planning and to clarify agency accountability for specific results.

In many respects, achieving these improvements to the governmentwide plan rests upon changes in the underlying agency performance plans. As OMB has acknowledged, and as discussed in our reports on the agency plans, considerable effort must be made to improve these building blocks of the governmentwide plan. In our overall assessment of the fiscal year 1999 agency performance plans, we encouraged OMB to consider five key opportunities for improvement as it commences its intended review of agency performance: (1) articulating a better results orientation, (2) strengthening coordination of crosscutting programs, (3) describing better how strategies will be used to achieve goals, (4) showing the performance consequences of budget decisions, and (5) building capacity within agencies to gather and use performance information.<sup>30</sup> Clearly, addressing these issues in agency performance plans will contribute significantly to enhancing the governmentwide plan in the four areas previously discussed. For example, the ability to present cohesively the relative contributions of all relevant programs and agencies to broad mission goals in the governmentwide plan will largely depend on how well each of those entities has articulated its results and strategies. Similarly, the presentation of baseline and trend data in the governmentwide plan rests on the availability of such data in agency plans.

Beyond these specific improvements to agency and governmentwide performance plans, many other fundamental changes will be needed to fully achieve the benefits of the Results Act. For example, developing common goals and complementary performance measures across agencies and programs that are directed at similar missions will require not only better plans and planning processes but also extraordinary coordination within the executive branch and sustained attention within the Congress.<sup>31</sup> Ensuring that goals and measures focus on true results—that is, real gains in performance, responsiveness, and quality—will be a serious challenge for many agencies.<sup>32</sup> And even developing results-based measures for some federal strategies—notably tax expenditures and regulations—will require improvements in areas that are marked by complexity and

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<sup>30</sup>GAO/GGD/AIMD-98-228, September 8, 1998.

<sup>31</sup>GAO/GGD-97-109, June 2, 1997; GAO/GGD-97-180, September 16, 1997; and GAO/AIMD-97-146, August 29, 1997.

<sup>32</sup>See Program Evaluation: Agencies Challenged by New Demand for Information on Program Results (GAO/GGD-98-53, April 24, 1998) and Managing for Results: Analytic Challenges in Measuring Performance (GAO/HEHS/GGD-97-138, May 30, 1997).

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ambiguity and that have often proven resistant to such measurement.<sup>33</sup> These and many other changes will not occur quickly, but the Results Act provides the overall context within which these challenges can be systematically addressed.

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## Recommendations

While still an evolving concept and document, the governmentwide performance plan represents a uniquely valuable tool to help the Congress and the executive branch address critical federal performance and management issues. Therefore, to continue the development of this distinctive and important resource, we recommend that the Director of OMB take the following actions.

To achieve a more cohesive picture of governmentwide performance and provide an effective construct for considering related missions and goals and addressing program overlap concerns, we recommend that OMB augment the presentations by budget functions in the governmentwide plan where necessary to achieve a more complete view of performance in mission areas.

To comprehensively portray and analyze the performance of the federal government, we recommend that OMB develop approaches to better integrate all federal strategies and tools—including tax expenditures and regulations—with key agency performance goals associated with federal spending in the governmentwide plan presentations. In the near term, this should include, minimally, a more integrated discussion of the role of spending, tax expenditures, and regulation within mission areas and strategic objectives. In the longer term, OMB should work with cognizant agencies to begin to develop objective, measurable, and quantifiable goals for all federal strategies and tools to better disclose the relative contribution of each toward overall federal performance goals.

To better depict the context for and progress associated with performance goals defined in the governmentwide plan, we recommend that OMB include baseline and trend information, where credible data are available or include information on efforts to develop such data.

Finally, to ensure priority attention and promote accountability in addressing governmentwide performance concerns—both priority management objectives and crosscutting performance goals included in

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<sup>33</sup>Managing for Results: Regulatory Agencies Identified Significant Barriers to Focusing on Results (GAO/GGD-97-83, June 24, 1997).

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the governmentwide plan—we recommend that OMB ensure that agencies incorporate appropriate goals and strategies in their annual performance plans and describe their relevance to achieve objectives described in the governmentwide performance plan.

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## Agency Comments and Our Evaluation

On August 19, 1998, we received OMB's written comments. On August 20, 1998, we received additional technical comments from a senior OMB official; we have incorporated these comments where appropriate. OMB's letter of August 19, 1998, includes comments on both this report and our companion report on agency annual performance plans. Our evaluation of OMB comments on our assessment of the governmentwide performance plan is provided below; OMB's comments on our assessment of agency performance plans are discussed in our companion report.<sup>34</sup>

In his August 19, 1998 letter, OMB's Acting Deputy Director for Management emphasized that the fiscal year 1999 governmentwide performance plan exceeded statutory requirements but also agreed that our report provided constructive suggestions to improve future plans. Agreeing that "weak agency plans translate into weak sections of a governmentwide plan," OMB committed to improve fiscal year 2000 agency performance plans, which they believe will in turn enhance future governmentwide plans as well.

OMB stated that our draft report appeared "to misjudge the nature of the governmentwide plan." In OMB's view, the governmentwide plan should focus "almost entirely on performance goals," but our discussion of underlying agency performance plan weaknesses included issues "that are largely unrelated to performance goals." We did not mean to suggest that the governmentwide plan should contain detailed discussions of strategies to improve agency plans or address all of the elements that are essential components of agency plans. Rather, we observed that the governmentwide plan will continue to be limited as long as its building blocks contained in agency plans were limited. In our companion report on the annual performance plans, we have recommended that OMB pursue an explicit agenda for improving the quality and utility of agency performance plans.

OMB expressed concern with our recommendation to augment where necessary budget function presentations to achieve a more complete view of federal performance. OMB stated that this "would generate a hybrid plan which would carve up the functional presentations." This is not what we

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<sup>34</sup>GAO/GGD/AIMD-98-228, September 8, 1998.

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have in mind. We agree that the budget function structure provides an appropriate organizational base. However, as we indicate in this and a previous report,<sup>35</sup> current budget functions do not in all cases portray mutually exclusive mission-based groupings of federal activities; for example, the Health function does not include large and important federal health programs targeted to specific beneficiaries (e.g., Medicare and veterans). There are several ways in which a more integrated discussion of federal performance goals could be presented, including greater use of cross-referencing among current budget function classifications. Contrary to OMB's concern, we believe that this would avoid the scattering of otherwise related performance goals that occurred in this year's plan as a consequence of presentations based solely on budget functions.

Finally, OMB was concerned that our comparison of OMB's Priority Management Objectives to our High-Risk Program Areas could be interpreted to suggest that "some high risk areas are not being monitored by OMB or addressed by the agencies." This was not our intent. The table in appendix I was developed solely to show the extent of similarity between the two lists.

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We are sending copies of this report to the Minority Leader of the House; to the Ranking Minority Members of the Senate Committee on the Budget, the Senate Committee on Appropriations, the Senate Committee on Governmental Affairs, the House Committee on the Budget, the House Committee on Appropriations, and the House Committee on Government Reform and Oversight; to other appropriate congressional committees; and to the Director of the Office of Management and Budget. We will make copies available to others upon request.

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<sup>35</sup>GAO/AIMD-98-67, February 27, 1998.

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The major contributors to this report are listed in appendix III. If you or your staffs have any questions, please call Paul L. Posner on (202) 512-9573 or L. Nye Stevens on (202) 512-8676.



Paul L. Posner  
Director, Budget Issues



L. Nye Stevens  
Director, Federal Management and Workforce Issues

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Congressional Requesters

The Honorable Richard K. Armey  
Majority Leader  
House of Representatives

The Honorable Dan Burton  
Chairman, Committee on Government Reform and Oversight  
House of Representatives

The Honorable John R. Kasich  
Chairman, Committee on the Budget  
House of Representatives

The Honorable Bob Livingston  
Chairman, Committee on Appropriations  
House of Representatives

The Honorable Pete V. Domenici  
Chairman, Committee on the Budget  
United States Senate

The Honorable Ted Stevens  
Chairman, Committee on Appropriations  
United States Senate

The Honorable Fred Thompson  
Chairman, Committee on Governmental Affairs  
United States Senate

The Honorable Larry E. Craig  
United States Senate

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## Abbreviations

CFOC	Chief Financial Officers Council
HCFA	Health Care Financing Administration
OMB	Office of Management and Budget
RMO	resource management office





# Priority Management Objectives From the Governmentwide Performance Plan and Related GAO High-Risk Program Areas

Priority management objectives	Related high-risk program areas
Year 2000	Year 2000 problem
Government Performance and Results Act	- - -
Financial management	IRS financial management Customs Service financial management
Information technology	Information security
Selected information technology systems (interagency systems dealing with tax and wage reporting and international trade data)	- - -
Acquisition reform	Defense contract management Defense weapon systems acquisition National Aeronautics and Space Administration contract management
Loan portfolio management	- - -
Debt collection	Farm loan programs
International credit programs	- - -
Statistical programs	- - -
Regulation	- - -
Defense financial management reforms	Defense financial management
Defense infrastructure outsourcing and privatization	Defense infrastructure
Education student aid programs	Student financial aid programs
Energy acquisition reforms	Energy contract management
Housing and Urban Development management reforms	Department of Housing and Urban Development
Interior/Bureau of Indian Affairs tribal trust fund and lands reforms	- - -
Transportation/Federal Aviation Administration human, financial, and information resources management reforms	Air traffic control modernization
Treasury/Financial Management Service management reforms	- - -
Treasury/Internal Revenue Service information technology reforms	Tax systems modernization IRS receivables IRS filing fraud detection
Veterans Affairs infrastructure consolidations	- - -
Social Security Administration claims processing reforms	Supplemental Security Income claims processing
- - -	Defense Corporate Information Management initiative
- - -	Defense inventory management
- - -	Justice and Treasury asset forfeiture programs
- - -	Medicare overpayments

(continued)

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**Appendix I**  
**Priority Management Objectives From the**  
**Governmentwide Performance Plan and**  
**Related GAO High-Risk Program Areas**

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<b>Priority management objectives</b>	<b>Related high-risk program areas</b>
- - -	National Weather Service modernization
- - -	Superfund program management
- - -	2000 decennial census

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# Comments From the Office of Management and Budget



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

AUG 19 1998

Ms. Nancy Kingsbury  
Acting Assistant Comptroller General  
United States General Accounting Office  
Washington, DC 20548

Dear Ms. Kingsbury:

Thank you for providing copies of two draft GAO reports, "Managing for Results: An Agenda to Improve the Usefulness of Agencies' Annual Performance Plans" and "The Results Act: Assessment of the Governmentwide Performance Plan for Fiscal Year 1999," for our review and comment. These reports cover related facets of the implementation of the Government Performance and Results Act of 1993. This letter responds to both reports.

Managing for Results: An Agenda to Improve the Usefulness of Agencies' Annual Performance Plans

This draft report reflects GAO's comprehensive assessment of the FY 1999 annual performance plans. The draft report contains numerous specific examples of successful features in these annual plans, as well as elements that could be substantially improved. The report is an expansive portrait of the FY 1999 plans, and contains many useful suggestions.

There are two aspects of the report that merit particular comment. First, while the report's title is "An Agenda to Improve the Usefulness of Agencies' Annual Performance Plans," the focus is predominately on what is included or lacking in these plans using a checklist approach. The Administration is looking at how these plans are translated into providing better services and products to the American public, and improving the quality and nature of programing, funding, and management decisions made within the Executive Branch and by the Congress.

Having plans that perfectly satisfy every evaluative criterion does not mean that these are plans that will be used. For the FY 2000 annual plans, our emphasis will be on having the most useful content and format that is practicable, and we hope to work with the agencies, Congress, and others to this end.

Second, the report fails to clearly distinguish between the major and most important elements of an annual plan, and those which are secondary or simply desirable. For example, nearly as much text is devoted to program evaluations, which are not a required element of these plans, as is given to the statutorily mandated description of the relationship between the goals in a strategic plan and the corresponding goals in the annual plan. The report would be improved by clarifying the relative importance of the various parts of an annual plan. A clear distinction should be made between factors that are and are not required by statute.

The Assessment of the FY 1999 Governmentwide Performance Plan

As recognized by the draft report, the FY 1999 Governmentwide Performance Plan was the first ever produced by the Federal Government. Indeed, we do not know of a comparable counterpart elsewhere in the world. We appreciate your observation that the "Governmentwide Performance Plan generally addressed the requirements and intent of the Results Act". This initial plan not only met the requirements of the Act, but, indeed, went significantly beyond those requirements. Future plans can and will improve. We appreciate your constructive suggestions for enhancing these future plans.

Your report correctly notes OMB's reliance on agency annual plans to prepare the governmentwide plan. Weak agency plans translate into weak sections of a governmentwide plan. We are working to ensure that agency FY 2000 annual plans will be markedly better than their FY 1999 counterparts, and this should carry over into a more informative and useful FY 2000 governmentwide plan.

However, several of your comments appear to misjudge the nature of the governmentwide plan. Our view of the Senate Committee Report specifications for this plan is that the focus should be almost entirely on performance goals. But on page 20 of the draft GAO report, the cited weaknesses in the agency annual plans cover plan elements that are largely unrelated to performance goals. These additional elements would substantially expand the size of the plan and diminish its readability.

We have a similar concern regarding the suggestion that the governmentwide plan contain additional sections for selected overarching areas. The governmentwide plan was prepared using the standard budget functions. To use a different structure for such overarching areas would generate a hybrid plan which would carve up the functional presentations, and scatter the agency goals among a number of new chapters that are unrelated to either the budget or the current Congressional committee structure.

We would also note the Appendix I table, which compares the list of Priority Management Objectives with Related GAO High-Risk Program Areas, might suggest that some high-risk areas are not being monitored by OMB or addressed by the agencies. This is not the case. On both an agency-specific and cross-cutting basis, we routinely monitor high-risk areas. The purpose of Priority Management Objectives is to highlight, in the FY 1999 governmentwide plan, those issues that will receive a very high level of attention.

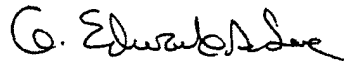
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**Appendix II  
Comments From the Office of Management  
and Budget**

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We appreciate the hard work of GAO staff who have worked with us and the agencies during the preparation of the strategic plans and the FY 1999 annual performance plans, and look forward to our continuing efforts to make the Results Act a valuable and useful resource for the Federal Government and the American public.

Sincerely,



G. Edward DeSeve  
Acting Deputy Director for Management

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## Acknowledgements

In addition to those named above, the following individuals made important contributions to this report: From the Accounting and Information Management Division, Susan J. Irving, Associate Director; Laura E. Castro, Senior Evaluator; John W. Mingus, Jr., Senior Evaluator; and David L. McClure, Assistant Director. From the General Government Division, J. Christopher Mihm, Associate Director, and Joseph S. Wholey, Senior Advisor for Evaluation Methodology.

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